



# Update on Financial Assumptions for ERCOT Economic Transmission Planning

ERCOT Staff

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# Background

- PUCT Substantive Rules §25.101(b)(3)(A)(i)
  - Economic projects. Except as otherwise stated in this subparagraph, the following must be met for a transmission line in the ERCOT region. The applicant must present an economic cost-benefit study that analyzes the transmission project under a congestion cost savings test and a production cost savings test. The commission will give great weight to such a study if it is conducted by the ERCOT independent system operator. Adequately quantifiable and ongoing direct and indirect costs and benefits to the transmission system attributable to the project may be included in the cost benefit study.
    - (I)(-a-) The congestion cost savings test must include an analysis of whether the levelized ERCOT-wide annual congestion cost savings attributable to the proposed project are equal to or greater than the average of the first three years annual revenue requirement of the proposed project of which the transmission line is a part.
    - (II) The production cost savings test must include an analysis of whether the levelized ERCOT-wide annual production cost savings attributable to the proposed project are equal to or greater than the first-year annual revenue requirement of the proposed project of which the transmission line is a part.

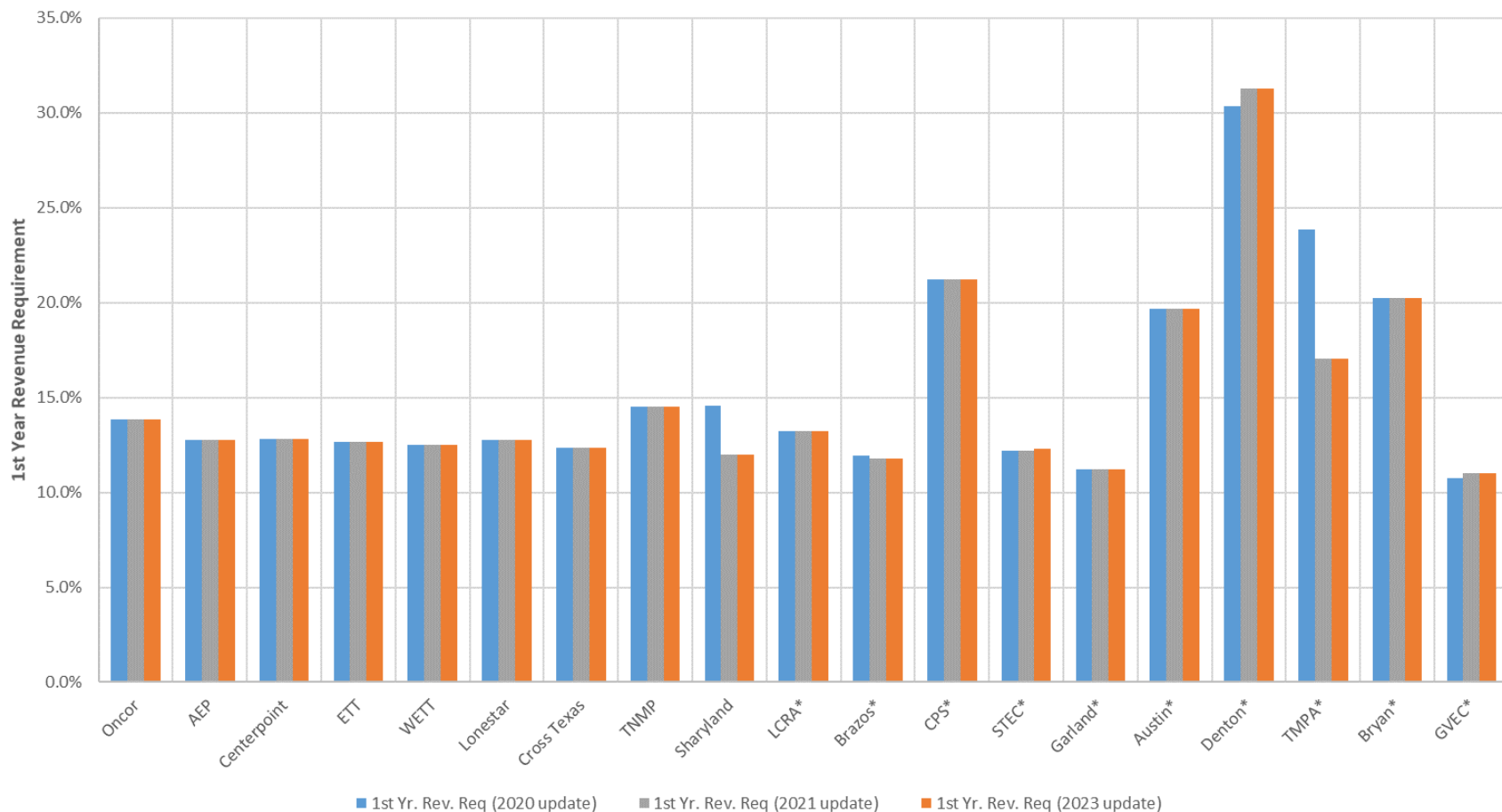
# Financial Assumptions Update

- 2023 review of financial assumptions used for the economic planning criteria is complete
- The spreadsheet containing the updated financial assumptions will be posted on the MIS Secure site
- ERCOT will use 12.9% for the average of the first three years annual revenue requirement and 13.2% for the first-year revenue requirement as of Feb. 2023

# Current Methodology

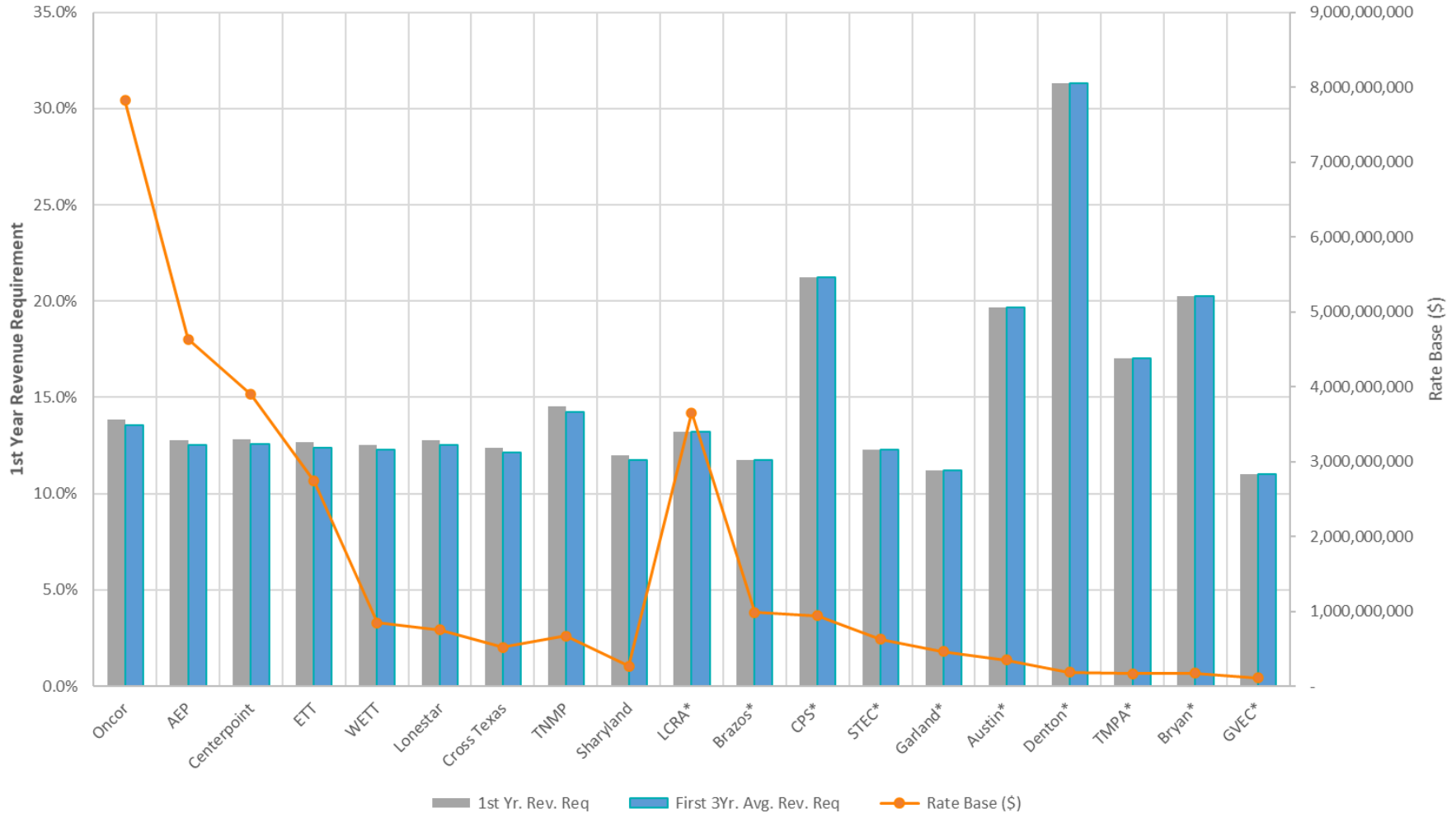
- Determine 1<sup>st</sup> year and first 3-year averaged revenue requirement for each TSP assuming a generic project
- Per schedule-based methodology, calculate weighted average of annual revenue requirement for those for-profit TSPs based on their rate base
- More details can be found at [https://www.ercot.com/files/docs/2018/09/12/FinancialAssumptions\\_EconomicCriteria.pdf](https://www.ercot.com/files/docs/2018/09/12/FinancialAssumptions_EconomicCriteria.pdf)

# 1st Year Revenue Requirement (Unweighted)



\*TSPs without available schedule-based methodology data

# 1st Year and First 3-year Average Revenue Requirement (Unweighted)



\*TSPs without available schedule-based methodology data

# Financial Assumptions Update for ERCOT Economic Transmission Planning

	2023 Update
Weighted Average 1st Year Annual Revenue Requirement (Schedule-Based Methodology)	13.2%
Weighted Average First 3 Years Annual Revenue Requirement (Schedule-Based Methodology)	12.9%

# Questions and Comments

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